

MEDIA RELEASE

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STOCKBROKERS QUESTION NEED FOR PUBLIC HEARINGS ON MARKET INTEGRITY

Public hearings by the ASIC for contraventions of the Market Integrity Rules would be unjustified, inconsistent with any other disciplinary or administrative hearings held by ASIC, and would not lead to good regulatory outcomes, the Stockbrokers Association said today.

Commenting on the Association's submission into the Government's new market supervision regime and planned new powers for ASIC, the Association's CEO David Horsfield said that justification for the public display of such hearings was hard to comprehend.

"When ASIC doesn't hold other hearings publicly – including takeover panel matters and the banning of directors or advisors – introduction for market integrity contraventions looks inconsistent", Mr Horsfield said.

"While much detail remains to be seen, The Stockbrokers Association supports the proposed model of market regulation, especially given the possibility of new entrants as market operators. With such proposals though there are items that can be improved and we have addressed these.

"The proposed level of civil penalties for contraventions of the Market Integrity Rules of \$5m for corporations is excessive, inconsistent with any other civil penalty provision under the Corporations Act, and may lead to serious anomalies in enforcement outcomes. After a strong reaction from our members we're hoping that Treasury will consider reducing the maximum penalty to \$1 million, only recently introduced under the Act.

"The transition in the supervisory role presents an ideal opportunity to eliminate regulatory duplication of the markets and market participants.

"If stockbrokers breach rules - involving, say, client contract notes, client matters, principal or staff trading or trust accounts – at the moment the breach is regulated by both the ASX and ASIC. It's a great opportunity to remove overlapping regulation", Mr Horsfield explained.

"The delineation of ASIC Market Integrity Rules from the licensed market Operating Rules is a crucial exercise may enhance clarity in regulation.

"Review mechanisms also need to be established to ensure that the changes will be cost neutral to participants. At the moment members pay fines and fees to ASX and its logical to think that some or all of this revenue will no longer be required by ASX because of their reduced regulatory function", Mr Horsfield said.

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